

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

Relating to Securities Lending Policy

Resolution 2015-22

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established a securities lending program.

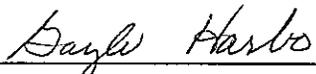
NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the Securities Lending Program Policy, attached hereto and made a part hereof, regarding investment of securities lending cash collateral.

DATED at Anchorage, Alaska this 3rd day of December, 2015.



Chair

ATTEST:



Secretary

SECURITIES LENDING PROGRAM POLICY

1. Program Objectives:

The strategic objective for the securities lending program is to assist the trusts under the fiduciary responsibility of the Alaska Retirement Management Board (ARMB) in meeting their investment goals by generating incremental income through collateralized, low-risk, short-term loans using a portion of the lendable assets within the total investment portfolio.

2. Performance Objectives:

There are no explicit goals with respect to the nominal amount of income generated by the securities lending program. The performance objective for the program is to achieve lending income commensurate with: 1) the market demand for the securities made available for lending and, 2) the return earned on the investment of the cash collateral within the cash collateral investment guidelines.

3. Program Structure:

The securities lending program shall be designed to provide a balance between risk control and diversification, and structured to take advantage of the benefits of both internal and external management in a prudent manner. The program will be administered by State Street Bank and Trust Company (State Street).

The features of the program include: borrower default indemnification from State Street, receipt of cash collateral, staff investment of the cash collateral to the extent practical, staff approval of investment guidelines for any cash collateral invested externally, a negotiated split in revenues between the trusts and State Street, the ability for staff to preclude securities or portfolios from lending, and a minimum spread on securities lent that is set and adjustable by staff.

4. Risk Management:

a. Scope of Lending Activity – Lending thresholds will be established and modified from time to time by staff, in an effort to balance the income generated from the program with the operational complexity associated with lending out securities.

b. Cash Collateral Portfolios – Diversification within investment portfolios is critical in order to control risk, defined as the loss of capital. Limits will be specified within the investment guidelines for the cash collateral portfolios with regard to credit quality and security maturity.

c. Borrower Concentration– State Street will manage borrower diversification as part of its management of lending activity. These exposures will be reviewed regularly by staff, with staff reserving the right to exclude or limit any borrower from the program.

d. Counterparty Risk – Each loan shall be collateralized by cash delivered to the ARMB’s custodian/sub-custodian bank prior to or simultaneous with the release of ARMB’s assets. To protect ARMB, the borrower must post cash collateral in an amount that exceeds the market value of the securities borrowed. The margin percentages shall be documented within the contract with State Street and shall be subject to change as conditions warrant, as determined by the chief investment officer.

5. Monitoring and Reporting:

To facilitate visibility of compliance monitoring and to inform the ARMB on the status of the securities lending program, staff will periodically report to the ARMB on the status of the program.

6. Delegation of Authority:

The investment, administration and management of the securities lending program is delegated to staff within the boundaries established by these policies and the processes described within the relevant investment guidelines.

7. Board Review:

The ARMB shall administer and review these policies periodically as it deems appropriate and in keeping with its fiduciary standards.